

Understanding a Balance Sheet

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INTRODUCTION

Bill Bragger claims that his business is worth one million dollars. That's right, Bill claims his business is worth one million bucks. If you would like to see exactly how much Bill's business is worth, you would demand to see a balance sheet. In this lesson, you will learn about assets, liabilities, and net worth so that you can analyze the net worth of a business that you might be deciding to invest in.



TASK

You will learn to how to make a balance sheet when given the names of the accounts and how to calculate total assets, liabilities, and net worth. You will also make predictions how the composition of the balance sheet changes when there are changes to assets and liabilities.

PROCESS

1. Go to College-Cram.com and study the balance sheet. Each part of the balance sheet is explained. All you have to do is to click on the "To Learn More" tab.
2. Download the [template](#) for the balance sheet.
3. While you have the spreadsheet open, your instructor will explain the three parts of the balance sheet.

CONCLUSION

You have learned how to complete a balance sheet. This knowledge is important for anyone going into business, investing in business, or applying for a loan.

In this rigorous lesson, you have repeatedly had to recall and apply accounting concepts to financial data. You have gained important knowledge about accounting and have sharpened your mathematical skills too.



ASSESSMENT ACTIVITY

You will now complete the [Balance Sheet Worksheet](#) and determine whether or not you would invest in Bill Bragger's company. You will need a calculator. If you decide to print out the worksheet, you will also need a pencil. The worksheet will allow you to type your answers on the spreadsheet and "save as" when you are finished. Make sure your name is on your work.

EXTENSION ACTIVITY

You should use the [Balance Sheet Template #1](#) linked to this lesson to complete the following task: Prepare a balance sheet dated December 31, 2011. Cash, \$3,300; Accounts Receivable, \$400; Property, Plant, and Equipment, \$100,000 ; Accounts Payable, \$54,000; Debt, \$28,000. Print out your spreadsheet and turn in to your instructor. Make sure you type your name some where on the spreadsheet where your instructor can see it.